



**STATEMENT ON THE APPLICATION
OF CORPORATE GOVERNANCE IN 2020**
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the Management Board's Report of activities of
Dom Development S.A. and its Capital Group in 2020**



COMPANY'S CORPORATE GOVERNANCE RULES AND THE LOCATION, WHERE THE TEXT OF CORPORATE GOVERNANCE RULES IS PUBLICLY AVAILABLE

In 2020, Dom Development S.A. followed the corporate governance rules described in the Code of Best Practice for WSE Listed Companies 2016, adopted by the Supervisory Board of the Warsaw Stock Exchange on 13 October 2015 pursuant to Resolution No. 26/1413/2015.

In 2020, the recommendation described in Chapter IVR.2 in items 12) and 3) of the Good Practices for Listed Companies did not apply to the Company. The above-mentioned recommendation stipulates that in cases justified by the shareholding structure or by the expectations of the shareholders communicated to the company, provided that the company is able to supply the technical infrastructure necessary for the proper conduct of the general meeting with the use of electronic means of communication, the company should allow the shareholders to participate in the general meeting with the use of such means, in particular by: 2) two-way communication in real time thus allowing the shareholders to speak during the proceedings of the general shareholders meeting while being away from the place of the meeting, 3) exercise the voting rights at the general shareholders meeting in person or by proxy. The Management Board of the Company decided that the possibility of holding a general meeting with the use of electronic means of communications is not justified on account of the shareholding structure of the Company and the lack of such expectations being communicated by the shareholders of the Company. Moreover, the Company did not enable participation in the general shareholders meeting in accordance with the above-described procedure in order to protect against the higher risk of irregularities in the general shareholders meeting proceedings occurring. The Company's Management Board decided that the above-mentioned recommendation would not be complied with due to the potential issues related to, inter alia, the identification of Shareholders, the choice of the best platform for such remote two-way communication, and the Company's inability to guarantee compliance with the hardware requirements on the part of a Shareholder.

The Company's Management Board believes that the risk of problems of a legal, logistical and technical nature which are related to providing the option of real-time two-way communication where the shareholders may take the floor and exercise voting rights during a general meeting from a location other than the general meeting are greater than the potential benefits to Shareholders. In the opinion of the Company's Management Board the existing rules of participating in the general meeting assure the correct exercise of the rights related to the holding of the Company's shares by all the Shareholders, while a possible interruption of the general meeting as a result of disruption of the remote bilateral communication channel

would create a material inconvenience for the Shareholders or their attorneys present at the meeting.

The Company's Management Board does not rule out the possibility of complying with the above recommendation in the future, and the Management Board's decision to implement it depends on the development of proper standards of its application in practice.

Moreover, the Company has not applied principle VI.Z.2 of the BPWSE (Best Practice for WSE Listed Companies) prescribing that "to tie in the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years." The instances, where the said principle has not been applied, are presented below:

On 1 December 2017, the Supervisory Board of the Company acting pursuant to the authorisation granted in resolution no. 21 dated 25 May 2017 by the Annual General Shareholders Meeting of the Company, adopted the Provisions of Senior Management Option Programme IV for Małgorzata Kolarska, the Vice President of the Management Board and the CEO, concerning 500 000 shares in Dom Development S.A. ("Programme IV"). Ms Małgorzata Kolarska has received one-off options authorising her to subscribe for 500 000 shares in Dom Development S.A. for the price of PLN 35.00 per share. The exercise of these options is limited to 100 000 shares in any 12 month consecutive period, starting from 1 January 2018, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2027. The Management Board of the Company holds the view that the allocated options being split into five tranches with exercisability at 12-month intervals is an alternative corresponding to the manner of tying the remuneration of a member of the management board to the Company's long-term business and financial goals as defined in detailed principle VI.Z.2. of the BPWSE. Programme IV is designed in a way so as to tie the remuneration of Ms Małgorzata Kolarska, who holds the function of Vice President of the Management Board and CEO, to the increase in the value of the Company for the Shareholders for a period of at least 5 years. Taking into account the distribution of option exercisability under individual tranches in time, derogation from principle VI.Z.2 of the BPWSE occurs in only the first two tranches, however it should be noted that all tranches are to be exercised at periods later than those specified in principle VI.Z.2 of the BPWSE. Consequently, the solution adopted is an incentive programme for a period longer than two years within the meaning of principle VI.Z.2 of the BPWSE. Moreover, the Management Board is of the opinion that

the consent of the General Shareholders' Meeting of the Company and the Supervisory Board of the Company confirm that the rules of Programme IV adequately protect the interests of the Shareholders of the Company by tying the benefits of the exercise of options under Programme IV with the long-term development and growth in the value of the Company.

On 29 November 2019, the Supervisory Board of the Company acting pursuant to authorisation granted in resolution no. 26 dated 30 May 2019 by the Annual General Shareholders Meeting of the Company, adopted the Provisions of Senior Management Option Programme V for Mikołaj Konopka, Member of the Management Board of Dom Development S.A., concerning 250 000 shares in Dom Development S.A. ("Programme V"). In accordance with the terms of the Programme, Mr Mikołaj Konopka received a one-off option authorising him to subscribe for 250 000 shares in Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share. The exercise of these options is limited to 50 000 shares in any 12 month consecutive period, starting from 1 January 2020, while the non-exercised options may be exercised at a later time, however not later than by 31 December 2029. The Management Board of the Company holds the view that the allocated options being split into five tranches with exercisability at 12-month intervals is an alternative corresponding to the manner of tying the remuneration of a member of the management board to the Company's long-term business and financial goals as defined in detailed principle VI.Z.2. of the BPWSE 2016. Programme V is designed in a way so as to tie the remuneration of Mr Mikołaj Konopka, who holds the function of Management Board member, to the increase in the value of the Company for the Shareholders for a period of at least 5 years. Taking into account the distribution of option exercisability under individual tranches in time, the derogation from principle VI.Z.2 of the BPWSE 2016 occurs in only the first two tranches, however it should be noted that all tranches are to be exercised at periods later than those specified in principle VI.Z.2 of the BPWSE 2016. Consequently, the solution adopted is an incentive programme for a period longer than two years within the meaning of principle VI.Z.2 of the BPWSE 2016. Moreover, the Management Board is of the opinion that the consent of the General Shareholders' Meeting of the Company and the Supervisory Board of the Company confirm that the rules of Programme V adequately protect the interests of the Shareholders of the Company by tying the benefits of the exercise of options under Programme V with the long-term development and growth in the value of the Company.

On 1 December 2020, the Supervisory Board of the

Company acting pursuant to the authorisation granted in resolution no. 21 dated 31 August 2020 by the Annual General Shareholders Meeting of the Company, adopted the Provisions of Senior Management Option Programme VI for Marcin Drobek, Adviser to the Management Board and the Chief Construction Officer, concerning 150 000 shares in Dom Development S.A. ("Programme VI"). Mr Marcin Drobek received one-off options authorising him to subscribe for 150 000 shares in Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share. The exercise of these options is limited to 30 000 shares in any 12 month consecutive period, starting from 1 January 2021, while the non-exercised options may be exercised at a later time, however not later than by 31 December 2030. The Management Board of the Company holds the view that the allocated options being split into five tranches with exercisability at 12-month intervals is an alternative corresponding to the manner of tying the remuneration of an Adviser to the Management Board and the Chief Construction Officer to the Company's long-term business and financial goals as defined in detailed principle VI.Z.2. of the BPWSE 2016. Programme VI is designed in a way so as to tie the remuneration of Mr Marcin Drobek, who holds the function of Adviser to the Management Board and the Chief Construction Officer, to the increase in the value of the Company for the Shareholders for a period of at least 5 years. Taking into account the distribution of option exercisability under individual tranches in time, the derogation from principle VI.Z.2 of the BPWSE 2016 occurs in only the first two tranches, however it should be noted that all tranches are to be exercised at periods later than those specified in principle VI.Z.2 of the BPWSE 2016. Consequently, the solution adopted is an incentive programme for a period longer than two years within the meaning of principle VI.Z.2 of the BPWSE 2016. Moreover, the Management Board is of the opinion that the consent of the General Shareholders' Meeting of the Company and the Supervisory Board of the Company confirm that the rules of Programme VI adequately protect the interests of the Shareholders of the Company by tying the benefits of the exercise of options under Programme VI with the long-term development and growth in the value of the Company.

The Code of Best Practice for Warsaw Stock Exchange Listed Companies is publicly available on: https://www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf. The statement on the status of application of the recommendations and rules of Good Practice for WSE Listed Companies 2016 was posted by the Company on: <https://inwestor.domd.pl/pl/lad-korporacyjny>

COMPANY'S CORPORATE GOVERNANCE RULES ADOPTED VOLUNTARILY AND THE LOCATION, WHERE THE TEXT OF SUCH CORPORATE GOVERNANCE RULES IS PUBLICLY AVAILABLE

In 2020, Dom Development S.A. followed the corporate governance rules published in the Code of Best Practice for Customer-Developer Relations drafted by Polski Związek Firm Deweloperskich (the Polish Union of Developers). The Code of Best Practice for Customer-Developer Relations is publicly available on:

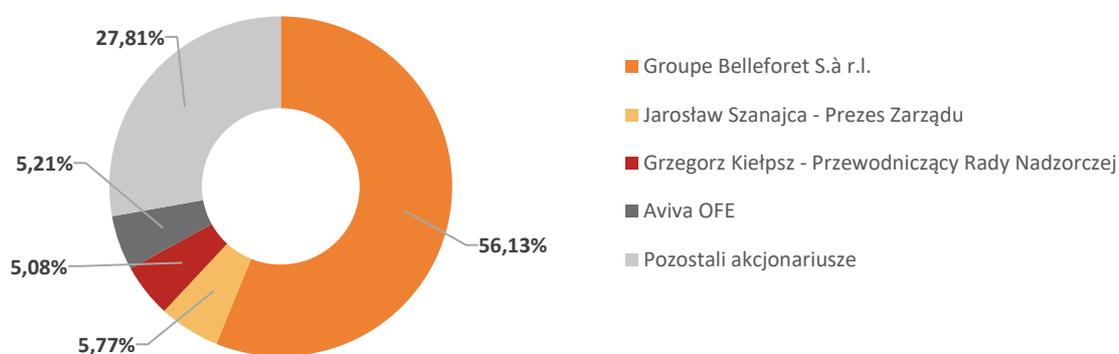
<http://www.warszawa.pzfd.pl/strefa-klienta/kodeks-dobrych-praktyk>

Dom Development S.A. has adhered to all of the rules described in the Code of Best Practice for Customer-Developer Relations.

1.1 SHARE CAPITAL, SHAREHOLDERS

1.1.1 SHAREHOLDER STRUCTURE

The shareholder structure of Dom Development S.A. as at 31 December 2020 was as follows:



As at 31 December 2020, the Company was controlled by Groupe Belleforêt S.à r.l. which held 56.13% of the Company's shares. The Dom Development S.A. shareholder structure has been relatively stable. Representatives of Groupe Belleforêt S.à r.l., who were co-founders of Dom Development S.A., serve on both the Management Board and the Supervisory Board of the Company. They are a valuable source of expertise and support for the management of the Company and its subsidiaries.

The long-term involvement of shareholders is a support for the activities of Dom Development S.A. thus enabling its sustainable development and optimised operations aimed at building the goodwill of the Company and the Group. In the opinion of the Company's Management Board, a transparent and stable ownership structure has a positive effect on the Company's operations as the exceptionally long production cycle in the development sector, spread over the years, requires a long-term perspective.

Shares of Dom Development S.A. are held in the portfolios of numerous Open-End Pension Funds, of which

shareholding by Aviva OFE Aviva Santander exceeded the threshold of 5% in the total number of votes and the share capital of the Company in 2011. Over the period from the date of the latest notice, the shareholding of Dom Development S.A. by Aviva OFE Aviva Santander has ranged between 5% and 10% of the Company's share capital.

Detailed information on shareholders who hold, directly or indirectly through subsidiaries, at least 5% of the overall number of votes at the General Shareholders Meeting ("GSM") as at 31 December 2020, and on the change in their shareholding in the period from 31 December 2019, are presented in the table below.

Save for the Executive Option Programmes described in section 3.8 of this report, the Company's Management Board is not aware of any agreements, including those concluded after the balance sheet date, which may result in future changes in the proportion of shares held by existing shareholders and bondholders. Dom Development S.A. Capital Group does not have any information about any insurance or cooperation agreements between shareholders in 2020.

DOM DEVELOPMENT S.A. SHAREHOLDING STRUCTURE AS AT 31.12.2020

| | SHARES | % SHARES | NUMBER OF VOTES AT THE GSM | % VOTES AT THE GSM |
|-----------------------------------|-------------------|--------------|----------------------------|--------------------|
| Groupe Belleforêt S.à r.l. | 14 155 491 | 56,13 | 14 155 491 | 56.13 |
| Aviva OFE* | 1 613 219 | 6,40 | 1 613 219 | 6.40 |
| Jarosław Szanajca | 1 454 050 | 5,77 | 1 454 050 | 5.77 |
| Grzegorz Kiełpsz | 1 280 750 | 5,08 | 1 280 750 | 5.08 |

* Shareholding by Aviva Otwarty Fundusz Emerytalny Aviva Santander (open-end pension fund) has been presented as per the latest notice dated 31 December 2020. The shareholding by AVIVA OFE is 1 313 383 shares in the Company as per the latest notice prepared dated 11 July 2011.

1.1.2 SPECIAL CONTROL RIGHTS**PERSONS HOLDING ANY SECURITIES WITH SPECIAL CONTROL RIGHTS, AND DESCRIPTION OF THESE RIGHTS**

Pursuant to article 6.2.2 of the Articles of Association of Dom Development S.A., a shareholder holding at least 50.1% of shares in the Company is personally vested with the right to appoint and dismiss half of the members of the Management Board, including the President of the Management Board and the Vice President of the Management Board who is responsible, pursuant to the Management Board bylaws, for the Company's finances. For an odd number of Management Board members, a shareholder who holds at least 50.1% of the shares in the Company is authorised to appoint, accordingly: three (for a 5-person Management Board) and four (for a seven-person Management Board) Management Board members. The above right is exercised by way of serving a written statement to the Company regarding the appointment or dismissal of a given Management Board member. The remaining members of the Management Board shall be appointed and dismissed by the Supervisory Board.

Pursuant to article 7.4 of the Articles of Association of

Dom Development S.A. a shareholder holding at least 50.1% of the shares in the Company is vested with the personal right to appoint and dismiss half of the members of the Supervisory Board, including 1 Vice Chairman thereof. For an odd number of Supervisory Board members, a shareholder holding at least 50.1% of the shares in the Company is authorised to appoint, accordingly: three (for a 5-person Supervisory Board), four (for a seven-person Supervisory Board) and five (for a nine-person Supervisory Board) Supervisory Board members. The above right is exercised by way of serving a written statement to the Company regarding the appointment or dismissal of a given Supervisory Board member.

As at 31 December 2020, Groupe Belleforêt S.à r.l., a limited liability company with its registered office in Luxembourg (formerly: SCOP Poland S.à r.l. spółka z ograniczoną odpowiedzialnością) was the shareholder holding at least 50.1% of the Company's shares.

1.1.3 LIMITATION OF RIGHT IN SHARES**RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS**

Pledges and beneficial owners of shares in Dom Development S.A. are not entitled to exercise voting rights attached to shares.

RESTRICTIONS ON THE TRANSFER OF OWNERSHIP TITLE TO THE ISSUER'S SECURITIES

No other restrictions are in place in Dom Development S.A. regarding the transfer of ownership title to shares in Dom Development S.A.

The transferability of subscription warrants issued by Dom Development S.A. in connection with its management option programmes is limited as subscription warrants can only be exercised by a participant in a specific management option programme, and in the event of their death such warrants can be exercised by their heirs, only upon the consent of the Supervisory Board of Dom Development S.A.

1.2 GENERAL SHAREHOLDERS' MEETING

THE PROCEDURE FOR AND MAJOR RIGHTS OF A GENERAL SHAREHOLDERS' MEETING, AND DESCRIPTION OF THE RIGHTS OF SHAREHOLDERS AND MANNER FOR THESE RIGHTS BEING EXERCISED, IN PARTICULAR THE RULES RESULTING FROM GENERAL SHAREHOLDERS' MEETING BYLAWS, IF SUCH BYLAWS WERE ADOPTED AND IF THE RULES IN THIS RESPECT DO NOT DIRECTLY RESULT FROM LEGAL REGULATIONS

The General Shareholders' Meeting holds its sessions as Annual or Extraordinary General Shareholders' Meetings, and as a governing body of the Company it acts pursuant to the provisions of the Code of Commercial Companies Act dated 15 September 2000 (consolidated text of Journal of Laws of 2013 item 1030, as amended), the Articles of Association of the Company and provisions of unclassified and publicly available General Shareholders' Meeting Bylaws dated 5 September 2006 as amended by resolution No. 27 dated 15 May 2008 and resolution No. 31 dated 21 May 2009 of the Annual General Shareholders' Meeting of Dom Development S.A.

An Annual General Shareholders' Meeting is convened by the Management Board. It takes place in Warsaw within 6 months following the end of each financial year. Shareholders are entitled to participate in the General Shareholders Meeting provided that they were shareholders of the Company 16 days before the date of the General Shareholders Meeting (registration date for participation in a general shareholders' meeting). No invitations are required for members of the Company's Management Board or Supervisory Board to participate in a General Shareholders' Meeting. Other persons, in particular statutory auditors and experts, as invited by the Management Board, may participate in a session or an appropriate part thereof, should their participation be justified by the need to have their opinions on the discussed matters presented to the participants in the General Shareholders' Meeting. A statutory auditor should be present at a session of the General Shareholders' Meeting where Company's financial matters are addressed.

The General Shareholders' Meeting is valid and may adopt resolutions only if shareholders holding at least 50.1% of all votes are represented at the Meeting. Resolutions are adopted by an absolute majority of validly cast votes, unless the Code of Commercial Companies or the Articles of Association of the Company provide otherwise. An electronic system for casting and calculating votes may be used for voting. Pledges and beneficial owners of shares are not entitled to exercise voting rights attached to shares.

A resolution on the removal of certain matters from the agenda of the General Shareholders' Meeting or the abandonment of certain matters included in the agenda or placed on the agenda by a motion of shareholders requires a majority of three-quarters of the votes cast and

the express prior consent of all present shareholders who have filed such motion, for it to be valid.

The Chairman puts the agenda to a vote, having the attendance list signed and checked. The General Shareholders' Meeting may adopt the suggested agenda without changes, change the order of debate or remove certain matters from the agenda, subject to the provisions of the Articles of Association of the Company. The General Shareholders' Meeting may also put new matters on the agenda and discuss them, however without adopting any resolutions on such matters. The Chairman of the Meeting has no right to remove matters from the agenda or alter the same without the consent of the General Shareholders' Meeting.

Each participant in the General Shareholders' Meeting may speak on matters included in the adopted agenda which are currently brought up for discussion. Each participant in the General Shareholders' Meeting may submit a formal motion. The Chairman gives the floor to a participant willing to lodge a formal motion out of turn. Formal motions are motions concerning the debate and voting procedure.

The General Shareholders' Meeting adopts resolutions on matters included in the agenda by voting. Voting is open and is subject to relevant provisions of the Articles of Association of the Company and the Code of Commercial Companies.

In 2020, the Annual General Shareholders' Meeting of Dom Development S.A. was held on 31 August 2020 in Warsaw in the registered office of the Company. The General Shareholders' Meeting had been convened upon a motion of the Management Board of the Company, and shareholders of the Company did not file their motions for the General Shareholders' Meeting to be convened.

The course of the General Shareholders' Meeting was in line with the provisions of the Code of Commercial Companies, the Company's Articles of Association, unclassified and publicly available General Shareholders' Meeting Bylaws of Dom Development S.A. and the Code of Best Practice for WSE Listed Companies. The shareholders had the possibility to review the content of draft resolutions included in the agenda, in each case not later than 26 days prior to the planned date of the General Shareholders' Meeting. The Company did not question the correctness of documents submitted by shareholders and their attorneys in support of their right to represent

a shareholder when verifying shareholders' IDs being the proof of their entitlement to participate in the General Shareholders' Meeting.

The Chairman of the General Shareholders' Meeting ensured that the session proceeded in an orderly and efficient manner. Sessions of a General Shareholders' Meeting have never been cancelled or discontinued. Members of the Management Board and the Supervisory Board present at the General Shareholders' Meeting readily explained all matters within their competences and as required by law.

The circumstances for adopting resolutions of the General Shareholders' Meeting enabled for the protection of the rights of minority shareholders, including for voicing reservations and objections against such resolutions. None of the resolutions adopted was appealed in court.

The ordinary General Shareholders' Meeting of Dom Development S.A. was held within the time limit set forth in § 3(4) of the Regulation by the Minister of Finance

dated 31 March 2020 on the setting of other time limits for compliance with the requirements of keeping records and preparation, approval, publication and filing with the competent register, organisation or body of certain reports/statements or information (Dz.U. 2020 item 570) in conjunction with art. 15zzh(1)(1) and 15zzh(2) of the Act of 2 March 2020 on specific arrangements for preventing, counteracting and combating COVID-19, other communicable diseases and the resulting crisis situations (Dz.U. items 374, 567 and 568), and documentation concerning the 2019 financial statements was published on the Company's website more than 6 months before the date of the ordinary General Meeting.

All resolutions adopted by the General Shareholders' Meeting in 2020 were passed in the best interest of the Company and took into account the rights of other stakeholders. Resolutions adopted by the General Shareholders' Meetings are posted on: <https://inwestor.domd.pl/pl/wza>

1.3 PRINCIPLES FOR THE AMENDMENT OF THE ARTICLES OF ASSOCIATION

Pursuant to article 430 § 1 and art. 415 § 1 of the Code of Commercial Companies and Partnerships, an amendment to the Articles of Association of Dom Development S.A. requires a resolution by the General Shareholders' Meeting adopted by a three-quarters majority of votes and court registration. For a resolution that is to amend the Articles of Association as to the benefits of the shareholders or limit the rights granted personally to individual shareholders under art. 354 of the Code of Commercial Companies and Partnerships, the consent of

all the shareholders affected by the resolution is required. An amendment to the Articles of Association is to be filed with the court of registration by the Management Board of Dom Development S.A. The General Shareholders' Meeting of Dom Development S.A. may authorize the Supervisory Board to determine a revised and reinstated text for the amended Articles of Association or to make such other editorial changes as defined in the resolution by the General Shareholders' Meeting.

1.4 MANAGEMENT BOARD OF DOM DEVELOPMENT S.A.

1.4.1 PRINCIPLES FOR THE APPOINTMENT OR DISMISSAL OF THE MANAGEMENT BOARD

DESCRIPTION OF THE PRINCIPLES FOR THE APPOINTMENT OR DISMISSAL OF MANAGING PERSONS AND THEIR RIGHTS, IN PARTICULAR THE RIGHT TO DECIDE ON THE ISSUE OR REDEMPTION OF SHARES

In accordance with the Company's Articles of Association, the Management Board of Dom Development S.A. shall comprise between 4 and 8 members, including the President, with a three-year term of office. The Supervisory Board shall determine the number of members of the Management Board. A shareholder who holds at least 50.1% of the shares in the Company is personally vested with the right to appoint and dismiss half of the members of the Management Board, including the President of the Management Board and the Vice

President of the Management Board who is responsible, pursuant to the Management Board bylaws for the Company's finances. For an odd number of Management Board members, a shareholder who holds at least 50.1% of the shares in the Company is authorised to appoint, accordingly: three (for a 5-person Management Board) and four (for a seven-person Management Board) Management Board members. The above right is exercised by way of serving a written statement to the Company regarding the appointment or dismissal of a

given Management Board member. The remaining members of the Management Board shall be appointed and dismissed by the Supervisory Board.

The Management Board represents the Company in and out of court. For statements to be validly made and signed on behalf of the Company, two members of the Management Board are required to act jointly or one member of the Management Board is required to act jointly with a commercial proxy.

Pursuant to paragraph 3.2.8 of the Company's Articles of Association, the Management Board is authorised to increase the Company's share capital by the issue of new shares with an aggregate nominal value of no more than PLN 1 700 000 (in words: one million seven hundred thousand) by way of one or several share capital increases within the limits specified above (authorised capital). The Management Board's right to increase share capital and issue new shares within the limits of the authorised capital up to PLN 1 700 000 shall expire 3 years from the date of the amendment to the Articles of Association made by resolution No. 27 dated 30 May 2019 by the General Shareholders' Meeting being entered in the register of entrepreneurs.

1.4.2 COMPOSITION OF THE MANAGEMENT BOARD

In the period from 1 January until 31 December 2020 the Management Board of Dom Development S.A. was composed of the following five members:

- Jarosław Szanajca, President of the Management Board
- Małgorzata Kolarska, Vice President of the Management Board
- Janusz Zalewski, Vice President of the Management Board
- Terry Roydon, Member of the Management Board
- Mikołaj Konopka, Member of the Management Board

1.4.3 PRINCIPLES GOVERNING THE FUNCTIONING OF THE MANAGEMENT BOARD

The Company's Management Board acts pursuant to the provisions of the Code of Commercial Companies, the Articles of Association and unclassified and publicly available Management Board Bylaws approved by a resolution of the Supervisory Board, and in accordance with the Code of Best Practice for WSE Listed Companies. The Management Board is an executive body of the

The right to increase the share capital referred to in the foregoing sentence, includes the issue of subscription warrants with subscription rights that expire after the above mentioned period.

Upon the consent of the Supervisory Board, the Management Board may deprive a shareholder of all or a part of its pre-emptive rights in relation to shares issued within the limits of the authorised capital.

A share capital increase by the Management Board within the limits of the authorised capital is conditional upon obtaining a positive opinion in this respect from the Supervisory Board. In other cases, unless otherwise provided by the Code of Commercial Companies, the Management Board may decide on any and all matters related to share capital increases within the limits of the authorised capital.

Pursuant to paragraph 3.2.6. of the Articles of Association of the Company, a purchase of treasury shares by the Company for redemption does not require the consent of the General Shareholders' Meeting (subject to art. 393 item 6 of the Code of Commercial Companies and Partnerships) and only requires the consent of the Supervisory Board.

On 25 August 2020 Mr Janusz Zalewski, Vice President of the Company's Management Board filed for resignation from his position as Vice President and Member of the Company's Management Board. The said resignation took effect on 12 March 2021.

Company. It manages the current operations of the Company and represents the same towards third parties. The Management Board decides in all matters concerning the Company not reserved for the General Shareholders' Meeting and/or the Supervisory Board under legal regulations, the Articles of Association of the Company or a resolution of the General Shareholders' Meeting.

For statements to be validly made and signed on behalf of the Company, two members of the Management Board are required to act jointly or one member of the Management Board is required to act jointly with a commercial proxy. Resolutions of the Management Board are adopted by an absolute majority of votes. In case of a voting deadlock, the President of the Management Board has the casting vote.

When defining strategic and current objectives for the Company, the Management Board always acted in the underlying interest of the Company and in line with legal regulations, and taking into account the interests of the shareholders, employees and creditors of the Company.

In order to ensure the transparency and efficiency of the management system, the Management Board followed the principles of professional conduct within the limits of

reasonable economic risk, and took into consideration a wide range of available information, analyses and opinions.

The amount, form and structure of remuneration for the Members of the Management Board have been determined by the Supervisory Board in line with the applicable "Dom Development S.A. Remuneration Policy for Members of the Management Board and Supervisory Board" and on the basis of clear-cut procedures, and correspond to the scope of their responsibilities and competences and have taken into account the economic performance of the Company. This remuneration also corresponds to the remuneration of Management Boards in comparable companies in the real estate development market.

1.5 SUPERVISORY BOARD

1.5.1 PRINCIPLES FOR THE APPOINTMENT OR DISMISSAL OF THE SUPERVISORY BOARD

The Supervisory Board shall comprise of 5 to 9 members appointed for a three-year term of office.

The General Shareholders' Meeting shall determine the number of members of the Supervisory Board. In addition to this, the General Shareholders' Meeting shall appoint and dismiss Members of the Supervisory Board, subject to the personal right of a Shareholder holding at least 50.1% of shares to appoint and dismiss half of the Members of the Supervisory Board, including 1 Vice Chairman thereof. For an odd number of Supervisory Board members, a shareholder holding at least 50.1% of the shares in the Company is authorised to appoint, accordingly: three (for

a 5-person Supervisory Board), four (for a seven-person Supervisory Board) and five (for a nine-person Supervisory Board) Supervisory Board members. The above right is exercised by way of serving a written statement to the Company regarding the appointment or dismissal of a given Supervisory Board member.

At least two Members (and their relatives, in particular, spouses, descendants or antecedents) of the Supervisory Board appointed by the General Shareholders' Meeting should meet the criteria of so-called Independent Members, defined in article 7.7 of the Articles of Association of the Company.

1.5.2 COMPOSITION OF THE SUPERVISORY BOARD

In the period from 1 January until 31 December 2020 the Supervisory Board of Dom Development S.A. was composed of seven members as follows:

- Grzegorz Kiełpsz, Chairman of the Supervisory Board,
- Markham Dumas, Vice Chairman of the Supervisory Board,
- Marek Moczulski, Vice Chairman of the Supervisory Board (Independent Member),
- Mark Spiteri, Member of the Supervisory

Board,

- Michael Cronk, Member of the Supervisory Board,
- Dorota Podedworna-Tarnowska, Member of the Supervisory Board (Independent Member),
- Krzysztof Grzyliński, Member of the Supervisory Board (Independent Member).
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1.5.3 PRINCIPLES GOVERNING THE FUNCTIONING OF THE SUPERVISORY BOARD

The Supervisory Board acts pursuant to the provisions of the Code of Commercial Companies, the Articles of

Association and unclassified and publicly available Supervisory Board Bylaws, approved by the Supervisory

Board's resolution, that set forth its organisation and manner of operation, and in accordance with the Code of Best Practice for WSE Listed Companies.

The Supervisory Board is a permanent supervisory body of the Company for all areas of its operation.

The Supervisory Board adopts resolutions or issues opinions in the matters reserved for the Supervisory Board under the Company's Articles of Association and in the manner provided for in the Articles of Association or relevant legal regulations.

The Supervisory Board held its meetings regularly. The meetings were attended by the Members of the Management Board. The Supervisory Board held 9 sessions, including 3 teleconferences and 6 video conferences in 2020. The Management Board provided the Supervisory Board with exhaustive information on all important matters concerning the operations of the Company.

The Supervisory Board complied with the requirement of having among its members at least two Independent Members in line with the criteria of independence set forth in the Company's Articles of Association.

Resolutions of the Supervisory Board concerning: (i) consent for the Company or a related entity of the Company to make any considerations on any account whatsoever for the benefit of the Members of the Management Board, (ii) consent for the Company or a related entity of the Company to conclude a material agreement with a related entity of the Company, a Member of the Supervisory Board or the Management Board, or entities related to such members, and (iii) the

choice of a statutory auditor for the audit of the Company's financial statements, were all adopted upon the consent of the majority of the Independent Members of the Supervisory Board.

The remuneration of the Members of the Supervisory Board was determined in a transparent manner and did not constitute a considerable share in the Company's costs affecting its financial result. The amount of the remuneration was approved by a resolution of the General Shareholders' Meeting and was disclosed in the annual report.

The Supervisory Board presented to the Annual General Shareholders' Meeting of the Company which was held on 31 August 2020 the following documents prepared in line with the Code of Best Practice for WSE Listed Companies:

- assessment of the situation of the Company in 2019, including the system of internal control, risk management, compliance and internal audit,
- report of activities of the Supervisory Board in 2019,
- assessment of the company's compliance with the duty of disclosure in respect of applying the principles of corporate governance as specified in the Stock Exchange Rules, and the regulations concerning current and periodic submissions by security issuers,
- assessment of the soundness of sponsorship, charity and other similar policies in place at the Company.

1.5.4 SUPERVISORY BOARD COMMITTEES

Two committees, the Audit Committee and the Remuneration Committee, were established within the structure of the Supervisory Board.

AUDIT COMMITTEE

In the period from 1 January 2020 until 31 December 2020 the Audit Committee was composed of the following members:

- Dorota Podedworna-Tarnowska, Chairwoman of the Audit Committee,
- Mark Spiteri, Member of the Audit Committee,
- Marek Moczulski, Member of the Audit Committee.

The Audit Committee is a permanent committee at the Supervisory Board. The Audit Committee is composed of at least three Members appointed by the Supervisory Board from amongst its Members, with at least two members of the Audit Committee, including the chairperson, also being an Independent Member of the Supervisory Board as defined in art. 129 par. 3 of the Act

on statutory auditors, audit firms and public supervision of 11 May 2017 (Dz.U. 2017 item 1089) and article 7.7 of the Company's Articles of Association, and at least one of whom should have expertise and qualifications in accountancy or financial audit. At least one Member of the Audit Committee must have expertise and qualifications in the market segment where the Company operates.

The statutory criteria of independence were met by the Chairwoman of the Audit Committee, Ms Dorota Podedworna-Tarnowska and a member of the Audit Committee, Mr Marek Moczulski.

All members of the Audit Committee have knowledge of and skills in accounting or auditing. Ms Dorota Podedworna-Tarnowska, Chairwoman of the Audit Committee, completed her tertiary education in finance

and banking and holds the degree of doctor of economic sciences. In her professional work she makes use of her knowledge in such areas as economics, finance, accounting, auditing and the audit of financial statements. Mr Marek Moczulski, Member of the Audit Committee completed post-graduate studies with specialisation in finance management. In his professional career he makes use of his knowledge in such areas as economics, finance, auditing and the audit of financial statements. A Member of the Audit Committee Mr Mark Spiteri is a chartered accountant.

The knowledge and skills pertinent to the sector in which the Company operates, i.e. real estate development, are held by Mark Spiteri, Member of the Audit Committee, who employs his working knowledge of property development projects and of the real estate market in his professional activities. He gained this experience when cooperating with developers and consulting companies.

The duties and competences of the Audit Committee are set forth in unclassified and publicly available Audit Committee Bylaws approved by the Supervisory Board.

The duties of the Audit Committee include, in particular (i) supervision of the Company's Management Board as regards the Management Board's compliance with relevant laws and other regulations, in particular the Accounting Act dated 29 September 1994, supervision of the preparation of financial information by the Company, in particular in respect of the choice of the accounting policy adopted by the Company, supervision of the application and assessment of the consequences of new legal regulations, supervision of the information on the manner in which estimated items, forecasts etc., are presented in annual reports and supervision of compliance with the recommendations and findings of a statutory auditor appointed by the Supervisory Board, (ii) issuing recommendations to the Company's Supervisory Board concerning the appointment and dismissal of the statutory auditor, (iii) control of the independence and objectivity of the statutory auditor, in particular in respect of a possible replacement of the statutory auditor, and of their remuneration, (iv) verification of the statutory auditor's work.

In executing its duties, the Audit Committee works with the Supervisory Board, the Management Board, middle management and the external and internal audit unit.

The Vice President of the Management Board responsible for finance, Deputy Financial Director, Financial Controller and representatives of the external and internal audit teams may attend Audit Committee meetings, if invited. The Audit Committee held 6 meetings, including 1 teleconference and 4 video conferences in 2020.

The audit firm that audited the Company's financial statements did not provide any permissible non-audit services to the Company in 2020. The audit firm that

audited the Company's financial statements provided permissible non-audit services contracted by the Company in 2020 whereby such services were provided to the Company's majority shareholder. Independence of the audit firm was assessed, and the Audit Committee agreed to have these services provided by this firm.

Under the auditor selection policy in effect at the Company, the choice of the audit firm to carry out the audit is made by the Supervisory Board of Dom Development S.A., acting on the basis of a recommendation made by the Audit Committee. Transparent and non-discriminatory selection criteria were defined to be used to evaluate the bids submitted by audit firms, which the Audit Committee is guided by during the preparation of the recommendation and the Supervisory Board is guided by during the selection of the audit firm. These are:

- a. independence and impartiality of the audit firm as a prerequisite, assuming that the audit firm submits, by the date of the statutory audit of financial statements, written confirmation of its independence from Dom Development S.A. and the companies of Dom Development S.A. Capital Group once a year to the Audit Committee. The above-mentioned entity shall also discuss with the Audit Committee all risks to its independence as well as the measures used to mitigate those risks;
- b. the fee for the audit, which cannot be based on any form of contingency, this includes not being subject to the results of the audit and being dependant or contingent on the provision of additional non-audit services for the audited company or an affiliated entity by the audit firm, an affiliated entity or a member of its network, and one of the basic criteria for the selection of an audit firm to statutory audit of financial statements is the quality and reliability of the services provided;
- c. experience gained and potential of the entity in the audit of statements of public interest entities and audit of the statements of entities with similar profile of activity, specifically in the property development or real estate sector;
- d. ability to conduct the audit throughout the country and to ensure the provision of services within the required scope;
- e. ability to monitor ongoing changes in legislation;
- f. checking the professional qualifications and experience of persons directly involved in the audit.

In accordance with the policy, as prevailing at the Company concerning permitted non-audit services rendered by an audit firm that provides statutory audit of financial statements, by an affiliate to such audit firm or by a member of the audit firm's network, no audit firm appointed for a statutory audit of financial statements, no

entity affiliated with the audit firm or any member of the audit firm's network may provide directly or indirectly to Dom Development S.A. nor to its affiliated entities any prohibited services other than non-audit services nor services which are related to financial review, from the first day of the period covered by the audit to the release of the audit report. In the case of internal audit, risk management, or information system procedures, this restriction is effective in the financial year immediately preceding the audited period. The prohibited services are not the services listed in Article 136(2) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. The services may be provided only insofar as such services are unrelated to the tax policy of Dom Development S.A. after the Audit Committee has assessed threats to independence and the safeguards applied, and after the consent of the Audit Committee is

REMUNERATION COMMITTEE

In the period from 01 January 2020 until 31 December 2020 the Remuneration Committee was composed of the following members:

- Marek Moczulski, Chairman of the Remuneration Committee,
- Mark Spiteri, Member of the Remuneration Committee,
- Krzysztof Grzyliński, Member of the Remuneration Committee.

The Remuneration Committee is a permanent committee at the Supervisory Board. It is composed of at least three members appointed by the Supervisory Board from amongst its members, with at least two members of the Remuneration Committee being Independent Members of the Supervisory Board within the meaning of article 7.7 of the Articles of Association. The Supervisory Board appoints one member of the Remuneration Committee to the position of Chairman of the Remuneration Committee. This member serves concurrently as an Independent Member of the Supervisory Board within the meaning of article 7.7 of the Articles of Association. The

granted. Where the auditor or audit firm provides services for Dom Development S.A. or the Dom Development S.A. Capital Group companies for a period of at least three consecutive financial years, the total fee for such services will be limited to not more than 70% of the average fee paid in the subsequent three financial years for the audit of financial statements of Dom Development S.A. and consolidated financial statements of Dom Development S.A. Capital Group.

The recommendation of the Audit Committee of 2 March 2020 concerning the selection of the audit firm complies with the conditions set out in Article 130(2) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision.

Supervisory Board may dismiss any Member of the Remuneration Committee at any time.

The duties and competences of the Remuneration Committee are set forth in unclassified and publicly available Remuneration Committee Bylaws approved by the Supervisory Board.

The duties of the Remuneration Committee include, in particular (i) periodically assessing the remuneration principles for the members of the Management Board and providing the Supervisory Board with relevant recommendations in this respect, (ii) preparation of suggestions as regards remuneration and additional benefits for individual members of the Management Board, including in particular benefits under a management share option programme (options convertible into shares in the Company's share capital) to be reviewed by the Supervisory Board, (iii) submission of projects concerning the Company's remuneration policy.

The President of the Management Board and the HR Director may attend meetings of the Remuneration Committee, if invited. The Remuneration Committee held 6 meetings, including 1 teleconference and 4 video conferences in 2020.

1.6 REMUNERATION POLICY REPORT

1.6.1 REMUNERATION SYSTEM AT THE COMPANY

The purpose of the remuneration policy for members of the management and supervisory bodies, and for key managers at Dom Development S.A. is to support the Company's strategy and its short- and long-term objectives.

No significant changes in the implementation of the remuneration policy took place at the Company in the financial year 2020. On 31 August 2020, the Annual General Shareholders' Meeting of Dom Development S.A. adopted a document entitled "Dom Development S.A. Remuneration Policy for Members of the Management Board and Supervisory Board" (the "Remuneration Policy"), which sets out the rules for remunerating members of the aforementioned authorities in the Company.

The Remuneration Policy was prepared in line with Polish and European regulations concerning remuneration in public companies. It takes into account the current business environment and the remuneration practice prevailing in the market. Its objective is to provide transparent and clear rules for remunerating members of the Management Board and the Supervisory Board, and to support the Company's business strategy, taking into account the current business environment as well as the current market practice regarding remuneration in public companies.

1.6.2 TERMS AND AMOUNTS OF REMUNERATION, BONUSES AND BENEFITS RECEIVED BY INDIVIDUAL MEMBERS OF THE MANAGEMENT BOARD OF THE COMPANY

In accordance with the Articles of Association of the Company, the terms of contracts and remuneration for the President of the Management Board and the other Members of the Management Board is the responsibility of the Supervisory Board, upon the recommendation of the Remuneration Committee in this regard.

The Remuneration Committee reviews the remuneration principles for the members of the Management Board periodically and provides the Supervisory Board with relevant recommendations in this respect, suggests amounts of remuneration and additional benefits for individual members of the Management Board, in particular benefits under a management share option programme (options convertible into shares in the Company's share capital) for individual Members of the Management Board, to be reviewed by the Supervisory Board.

Remuneration for the Members of the Management

In particular, the Remuneration Policy takes into account the need to:

- Contribute to the implementation of the Company's business strategy and the long-term interests of the Company, its shareholders, investors and stakeholders, and to support the sustainable development of the Company;
- Ensure transparency of the rules for remunerating Members of the Management Board by establishing a single remuneration title covering all the duties performed for the Company. The Members of the Management Board may concurrently serve on governing bodies in subsidiaries;
- Set the remuneration for Members of the Supervisory Board in a manner consistent with the remuneration practice throughout the Company and in the market;
- Ensure effective management of Remuneration Policy, and prevent conflicts of interest in this area.

Board of the Company and key managers stems from the Remuneration Policy adopted and consists of a fixed part (base salary), a variable part based on results (bonus system) and fringe benefits. In 2020, the principles of the remuneration system were similar to these applied in previous years, i.e. the remuneration was based on the incentive system linked to financial performance, business and financial objectives of the Company. The granting of the annual discretionary bonus was contingent on the degree of implementation of individual annual targets associated with the business objectives of the Company.

In 2020, the amount of remuneration (including bonuses) paid, accrued or potentially accrued to individual members of the management bodies for serving on these bodies at the Company and at its subsidiaries, was as follows:

| REMUNERATION AND BONUSED RECEIVED BY THE MEMBERS OF THE MANAGEMENT BOARD OF DOM DEVELOPMENT S.A. (PLN thousand) | Fixed remuneration items | Variable remuneration items | Non-pay benefits |
|---|--------------------------|-----------------------------|------------------|
| for serving on the governing bodies of Dom Development S.A. | | | |
| Jarosław Szanajca | 1 279 | 1 290 | 35 |
| Małgorzata Kolarska | 1 200 | 2 765 | 31 |
| Janusz Zalewski | 1 080 | 1 141 | 15 |
| Mikołaj Konopka | 120 | 174 | - |
| Terry Roydon | 72 | 870 | - |

| REMUNERATION AND BONUSED RECEIVED BY THE MEMBERS OF THE MANAGEMENT BOARD OF DOM DEVELOPMENT S.A. (PLN thousand) | Entity name | Fixed remuneration items | Variable remuneration items | Non-pay benefits |
|---|------------------------------------|--------------------------|-----------------------------|------------------|
| for holding a position in the subsidiaries of the Company | | | | |
| Jarosław Szanajca | Euro Styl S.A. | 60 | - | - |
| Jarosław Szanajca | Dom Development Wrocław Sp. z o.o. | 60 | - | - |
| Małgorzata Kolarska | - | - | - | - |
| Janusz Zalewski | - | - | - | - |
| Mikołaj Konopka | Euro Styl S.A. | 600 | 956 | 23 |
| Mikołaj Konopka | Euro Styl Construction Sp. z o.o. | 6 | - | - |
| Mikołaj Konopka | Euro Styl Development Sp. z o.o. | 6 | - | - |
| Mikołaj Konopka | Euro Styl Montownia Sp. z o.o. | 2 | - | - |
| Terry Roydon | - | - | - | - |

There was no distributions from profit, except for the dividend, to executives at the Company in 2020.

In addition to this, there are Management Option Programmes at the Company which are described in detail in note 3.8 to this report and in note 7.43 to the Group's consolidated financial statements for 2020.

Options granted to and exercised by members of the Management Board of Dom Development S.A. are shown in the table below.

| SHARE OPTIONS GRANTED AND EXERCISED IN 2020 | Options granted as of 1 January 2020 (number of shares) | Options granted in 2020 (number of shares) | Options exercised in 2020 (number of shares) | Price of one share in the Company on the option grant date | Exercise price for one option | Grant exercise date |
|---|---|--|--|--|-------------------------------|---------------------|
| Jarosław Szanajca | - | - | - | - | - | - |
| Małgorzata Kolarska | 300 000 | - | 100 000 | 74.49 zł | 35.00 zł | 03.02.2020 |
| Janusz Zalewski | - | - | - | - | - | - |
| Mikołaj Konopka | 250 000 | - | 50 000 | 95.20 zł | 50.00 zł | 03.02.2020 |
| Terry Roydon | - | - | - | - | - | - |

1.6.3 NON-FINANCIAL COMPONENTS OF REMUNERATION FOR THE MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGERS

Remuneration of the Members of the Management Board of the Company, the Members of the Supervisory Board of the Company and key managers at the Group also

consist of fringe benefits such as private health care or a company car that can also be used for private purposes.

1.6.4 LIABILITIES ARISING FROM RETIREMENT PENSIONS FOR FORMER MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF THE COMPANY

The Company has no liabilities arising from retirement pensions or similar benefits for its former management or supervisory executives.

1.6.5 AGREEMENTS WITH THE MEMBERS OF THE MANAGEMENT BOARD IN THE EVENT OF THEIR RESIGNATION OR DISMISSAL

All members of the Company's Management Board have been remunerated on the basis of resolutions of the Supervisory Board.

None of the Company's Management Board members is entitled to compensation in the event of resignation from their function. In accordance with the resolutions of the Supervisory Board, the following Management Board members: Jarosław Szanajca, Małgorzata Kolarska and Mikołaj Konopka, in the case of dismissal for reasons

other than violation of their fundamental obligations or non re-appointment for another term of office, are entitled to the payment of 6 months' remuneration. On the basis of the resolution of the Supervisory Board, Janusz Zalewski, a Management Board member, in the case of dismissal for reasons other than the violation of his fundamental obligations is entitled to payment equal to one full month salary as calculated for the period from the day following the expiry of his term of office to 1 October 2021.

1.6.6 AMOUNT OF REMUNERATION, BONUSES AND BENEFITS RECEIVED BY INDIVIDUAL MEMBERS OF THE SUPERVISORY BOARD

In 2020, the amount of remuneration paid, accrued or potentially accrued to individual members of the supervisory bodies was as follows:

| REMUNERATION AND BONUSED (in PLN '000) RECEIVED BY THE MEMBERS OF THE MANAGEMENT BOARD OF DOM DEVELOPMENT S.A. | in Dom Development S.A. | in other companies operating within the Group |
|--|-------------------------|---|
| Grzegorz Kiełpsz | 624 | - |
| Mark Spiteri | 110 | - |
| Markham Dumas | 110 | - |
| Michael Cronk | 110 | - |
| Dorota Podędworna-Tarnowska | 110 | - |
| Marek Moczulski | 110 | - |
| Krzysztof Grzyliński | 121 | - |

In 2020, there were no distributions from profit to members of the supervisory bodies of the Company, except for the dividend.

1.6.7 ASSESSMENT OF THE REMUNERATION POLICY OPERATION

- The Management Board of the Company is of the opinion that Members of the Management Board and the Supervisory Board of the Company have been remunerated in compliance with the Remuneration Policy, and

having the remunerations of Board Members tied to economic performance, while meeting business objectives, is the strong foundation for maintaining the viability of the company and the long-term increase in value for shareholders.

1.7 SHAREHOLDING OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

TOTAL NUMBER AND NOMINAL VALUE OF ALL SHARES IN THE COMPANY AS WELL AS THE SHARES AND STOCKS IN THE COMPANIES OPERATING WITHIN THE GROUP HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY

The ownership structure of shares and share options in the Company held by the Members of the Management Board and the Supervisory Board as at 31 December 2020 was as follows:

| | AS AT 31 DECEMBER 2020 | | | | CHANGE FROM 31 DECEMBER 2019 | |
|-----------------------------------|---------------------------|--|---------------|------------------------------|---------------------------------|---------------|
| | Shares | Nominal value of the shares (in PLN '000) | Share options | Shares and options, total | Shares | Share options |
| MANAGEMENT BOARD | | | | | | |
| Jarosław Szanajca | 1 454 050 | 1 454 | - | 1 454 050 | - | - |
| Małgorzata Kolarska ^{*)} | 220 235 | 220 | 200 000 | 420 235 | 38 735 | (100 000) |
| Janusz Zalewski | 300 000 | 300 | - | 300 000 | (50 000) | - |
| Mikołaj Konopka ^{*)} | 38 981 | 39 | 200 000 | 238 981 | 37 689 | (50 000) |
| Terry Roydon | 58 500 | 59 | - | 58 500 | - | - |
| SUPERVISORY BOARD | | | | | | |
| Grzegorz Kiełpsz | 1 280 750 | 1 281 | - | 1 280 750 | - | - |
| Mark Spiteri | 900 | 1 | - | 900 | - | - |

^{*)} On 22 January 2021 Małgorzata Kolarska and Mikołaj Konopka subscribed respectively, for 100 000 and 50 000 shares in Dom Development S.A. in the exercise of the Company's share options. Detailed information about the said transaction has been presented in note 7.49 of the Consolidated Financial Statements of Dom Development S.A. Capital Group: Material post-balance sheet events.

The Members of the Management Board and the Supervisory Board of the Company did not hold any shares in other companies operating within the Group.

1.8 MANAGEMENT OPTION PROGRAMMES

1.8.1 EXISTING EMPLOYEE SHARE SCHEMES

INFORMATION ON THE AGREEMENTS THAT ARE KNOWN TO THE COMPANY AND THAT WERE CONCLUDED IN THE LAST FINANCIAL YEAR WHICH MAY RESULT IN FUTURE CHANGES IN THE PROPORTIONS OF SHARES HELD BY THE CURRENT SHAREHOLDERS

There are three management option programmes in place at the Company.

On 1 December 2017, the Supervisory Board of the Company adopted resolution no. 01/12/17 concerning the approval of the provisions of the Management Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board – CEO, concerning 500 000 shares in Dom Development S.A. ("Programme IV"). In accordance with the terms of Programme IV, Ms Małgorzata Kolarska received one-off options authorising her to subscribe for 500 000 shares in Dom Development S.A. for the price of PLN 35.00 (thirty-five zlotys only) per share. The exercise of these options is limited to 100 000

shares in any 12 month consecutive period, starting from 1 January 2018, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2027.

On 29 November 2019, the Supervisory Board of the Company adopted resolution no. 02/11/19 concerning the approval of the provisions of the Management Option Programme V for Mikołaj Konopka, Member of the Management Board of Dom Development S.A., concerning 250 000 shares in Dom Development S.A. ("Programme V"). In accordance with the terms of Programme V, Mr Mikołaj Konopka received one-off options authorising him to subscribe for 250 000 shares in

Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share. The exercise of these options is limited to 50 000 shares in any 12 month consecutive period, starting from 1 January 2020, while the non-exercised options may be exercised at a later time, however not later than by 31 December 2029.

On 1 December 2020, the Supervisory Board of the Company adopted resolution no. 01/12/20 concerning the approval of the provisions of the Management Option Programme VI for Marcin Drobek, the Adviser to the Management Board and Chief Construction Officer, concerning 150 000 shares in Dom Development S.A.

1.8.2 Employee share scheme control system

The management option programmes in place at the Company were adopted by the Company's General Meeting of Shareholders which also authorised the Supervisory Board of the Company to adopt specific rules for the implementation of the schemes.

On 30 May 2019, the Company's Management Board was authorised by the General Shareholders' Meeting of the Company to increase its share capital within the authorised capital and to issue warrants allowing subscription for shares by the participant in Management Option Programme IV for Małgorzata Kolarska, Vice

(“Programme VI”). In accordance with the terms of Programme VI, Mr Marcin Drobek received one-off options authorising him to subscribe for 150 000 shares in Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share. The exercise of these options will be limited to 30 000 shares in any 12 month consecutive period, starting from 1 January 2021. The non-exercised options may be exercised at a later time, however not later than by 31 December 2030.

Management Option Programmes are described in detail in the consolidated financial statements of the Group for 2020 in note 7.43.

President of the Management Board and the CEO, for 500 000 Shares in Dom Development S.A., in Management Option Programme V for Mikołaj Konopka, Member of the Management Board of Dom Development S.A. for 250 000 Shares in Dom Development S.A. and in Management Option Programme VI for Marcin Drobek, Adviser to the Management Board and Chief Construction Officer, for 150 000 Shares in Dom Development S.A. The Management Board is then entitled to adopt a resolution concerning the increase of the share capital upon the consent of the Supervisory Board.

1.9 APPLICATION OF THE DIVERSITY POLICY IN RELATION TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In the opinion of the Management Board of the Company, the composition of the Management Board and the Supervisory Board of Dom Development S.A provided the diversity of age, education and professional experience necessary to achieve a multidimensional perspective supporting the activities of and supervision over the Company.

In 2020, the Company's Management Board was composed of 5 members: 4 men and 1 woman. All members of the Management Board have been with the Group for many years, and their appointment was determined by their expertise and qualifications. The Management Board of Dom Development S.A. includes people who have degrees in law, economics and property management. All Members of the Company's Management Board have many years of experience in the real estate development industry, both in the Polish and foreign markets. Their track record and broad perspective allow the Management Board to make strategic decisions effectively.

In order to safeguard the development of the Company and of the Group, the Management Board has

emphasised the development of key managers and its diversity. The directors and vice-directors of the individual divisions and departments include women and men of different educational backgrounds, professional experience and age.

The Supervisory Board of the Company includes persons with experience in various industries, also in the property development sector. The Members of the Supervisory Board include persons that have been with Dom Development S.A. for many years, namely Mr Grzegorz Kiełpsz, the Chairman of the Supervisory Board and a co-founder of the Company as well as representatives of Groupe Belleforêt S.à r.l. as the majority shareholder. There are also three Independent Members on the Supervisory Board, with a high degree of proven competence in business and financial reporting, who guarantee the highest standard of supervision over the Company. Such diversity provides a wide perspective on the operation of the Management Board of the Company and the development paths undertaken. As at 31 December 2020, the Company's Supervisory Board was composed of 6 men and 1 woman.

1.10 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Management Board of the Company is responsible for the internal control system within the Group and its effectiveness as regards the preparation of financial statements and consolidated financial statements.

The effectiveness of the Group's internal control and risk management systems in financial reporting is ensured through the following means:

- Clear division of duties and competences in the process of preparing financial information

Accounting books are kept and financial reporting is performed by highly qualified financial and accounting teams, both at the Company and companies operating within the Group. The Group's consolidated financial statements are prepared by highly qualified employees from the finance and accounting division.

The effectiveness of internal controls and the quality of the accounts are ensured, inter alia, by the appropriate allocation of competences and responsibilities within the teams and by the assignment of relevant authorisations in the IT systems used by the Group.

There are also independent teams within the Group that are responsible for budgeting and management reporting

processes.

- Structure and scope of financial reporting applied by the Group

The Group's finance and accounting system is a source of data for both financial statements and consolidated financial statements. It is also a source of information for the Group's management reporting, the financial part of which is based on the accounting policy adopted by the Group (in compliance with the International Financial Reporting Standards).

Operational quantitative forecasts and financial forecasts are incorporated in the monthly financial and operational management reports, in addition to historic financial data sourced from the accounting books. These reports are scrutinized by middle and executive management of individual organizational units of the Group and by the Management Boards of the companies operating within the Group and by the Management Board of the Company. As regards closed reporting periods, the Group's financial results are scrutinized versus budgets and forecasts. In view of the specific nature of the industry, we analyse not only the aggregated groups of costs and revenues, but also the financial and operating

data for the respective property development projects are analysed separately.

Any identified deviations and errors, where possible, are reviewed, clarified and corrected in the books of the Group companies on an ongoing basis.

Both managerial and statutory reporting takes place under supervision of the financial controller and the Vice-President of the Management Board - Chief Financial Officer.

- Verification of the Group's financial statements by an independent statutory auditor

In accordance with the standards adopted by the Group, the Group's financial statements are always audited by a leading and highly qualified statutory auditor.

A so-called Audit Life Cycle has been developed in the Company. This is a cyclical schedule of communication between the Management Board, the statutory auditor and the Audit Committee of the Supervisory Board. The purpose of this schedule is to ensure appropriate interaction and communication between the Audit Committee and the statutory auditor.

- Formalised process for significant assessments that considerably affect the Company's financial statements

The fundamental activity adopted by the Group so as to reduce exposure to market risks is the proper assessment of potential and control of current development projects based on investment models and decision-making procedures developed in the Company.

The basis for calculating the cost of products sold, due to the accounting policy applied in this respect, is not only

the costs recorded in the books, but also the detailed development project budgets prepared in accordance with the Group's best knowledge and experience. The budgets for all development projects are updated at least once every three months, during the execution of the projects. This process is governed by the formalised rules in place at the Group, and is scrutinised by the management boards of the companies concerned, as well as the Management Board of the Company.

Moreover, it is relevant in the process of consolidation to eliminate intra-group sales, with particular regard to accurate assessment, and then elimination of the margin realised on such sales by the Group's construction companies.

- Risk management process and internal audit

There has been a formalised risk management procedure in operation within the Company since 2000. Under this procedure the risk is managed through the identification and assessment of risk areas for all aspects of the activities in which the Company and the Group are involved, together with defining activities required to reduce or eliminate such risks (including through procedures and internal audit system). Risk management also covers the accuracy and quality of data having a bearing on the accuracy and quality of the financial statements.

The Company has an in-house internal audit unit, which carries out internal audits mainly of processes relating to risks identified in the said risk management procedure. The activities of the internal audit unit are subject to the supervision of the Audit Committee. The findings of internal audits are reported to the Audit Committee and to experts appointed by this Committee.

1.11 MATERIAL LEGAL PROCEEDINGS

As at 31 December 2020 the companies operating within the Group were not a party to any material court cases.

1.12 SPONSORSHIP AND CHARITY ACTIVITIES

The Company has been actively engaged in sponsorship, which combines support for cultural, art, sports and education institutions with the promotion of the Dom Development S.A brand. The partners to be involved with as a sponsor or on a similar basis have been selected with high ethical standards in place and with particular regard for projects having a positive effect in the areas where the property development projects of the Company and of the Group are located.

The policy implemented by the Company in 2020 in the scope of sponsorship and charity activities include involvement in projects supporting those in need, culture, promoting sport and healthy lifestyle, and the development of local communities, in particular near the residential projects run by the Company.

The special focus area of *pro bono* activities of the Company and the Group in 2020 were initiatives in support of the health care system and those particularly affected by the COVID-19 epidemic. Dom Development S.A. made donations to support the health service, i.e. PLN 100 thousand for the purchase of protective suits for medics.

The Company also donated computer equipment to support remote learning in Primary School No. 1 in Cisna, Subcarpathia, while Euro Styl S.A. co-financed the purchase of computers for Primary School No. 56 and Primary School No. 21 in Gdańsk.

Moreover, Euro Styl S.A. took part in the #PosiłekZaWysiłek initiative (Meal for Your Effort) that involved delivery of a warm meal every day. The initiative was intended to help health professionals and seniors, while helping to keep Gdańsk restaurants going. Dom Development Wrocław Sp. z o.o., in cooperation with the City Social Care Centre in Wrocław and local foundations, financed the purchase of 1 500 meals for seniors and provided volunteers of local associations with face masks and medical gloves.

In 2020, the Company continued its efforts to improve the

quality of public space by integrating residential architecture with art, and also by actively promoting art as an important factor with a favourable effect on the quality of life of city inhabitants. New murals were created in the Wilno and Żoliborz Artystyczny projects as fruit of the cooperation with artists. In addition to this, a sculptural relief in a portal passageway and new neon light installations inspired by Anna Jantar's musical works appeared on these estates.

Our endeavours to cherish history and architectural monuments this time took the shape of financial contributions to the renovation of the Dominican Monastery on Freta Street in the New Town area of Warsaw and to co-financing the statue, which was unveiled in 2020, of Stanisław Jankowski "Agaton", a participant in the Warsaw Uprising and an architect, who co-designed the WZ route and the Marszałkowska Dzielnica Mieszkaniowa (MDM). These two architectural creations are considered as a model of good urban space design to this day.

The Company also engaged in initiatives to promote sport and healthy lifestyles by supporting the organisation of a Football Championship for Children from Children's Homes that was held in Warsaw in September 2020. Euro Styl S.A. provided additional finance to the "Active Senior" scheme organised by the Association of Rugby Club Arka Rumia and also financially supported sports clubs Orkan Rumia and Arka Rumia.

Educational initiatives are an important element of the Group's charity activities. Last year, Euro Styl S.A. carried out educational sessions „Kim będę?” (Who will I be?) at Primary School No. 65 in the Dolne Miasto area in Gdańsk. The objective was to present the specifics of the property development industry to pupils. In 2020, Euro Styl S.A. continued to work with the University of Gdańsk as a patron and co-author of post-graduate studies in property and development project management.

1.13 AUDITOR

INFORMATION ON THE AGREEMENT FOR THE AUDIT AND REVIEW OF THE FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS CONCLUDED WITH THE AUTHORIZED AUDITOR

On 20 March 2020, in accordance with the powers granted under article 7.12.3 of the Company's Statutes and the applicable regulations and professional standards, the Supervisory Board of the Company on the basis of the recommendation made by the Company's Audit Committee, contained in its Resolution 02/03/20 of 2 March 2020, selected PricewaterhouseCoopers Polska Sp. z o.o. Audyt sp.k. (formerly: PricewaterhouseCoopers Sp. z o.o.) with its registered office in Warsaw, to audit the annual financial statements of Dom Development S.A. for the year ended 31 December 2020 and the consolidated financial statements of the Dom Development S.A. Capital Group for the year ended 31 December 2020, and to review the condensed financial statements of Dom Development S.A. for the period of six months ended 30 June 2020 and the condensed consolidated financial statements of the Dom Development S.A. Capital Group, prepared for the period of six months ended 30 June 2020.

PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw at al. Polna 11 is registered as an entity licensed to audit financial statements under reg. no. 144.

The agreement with PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw was concluded on 16 April 2018 for the period necessary to carry out the review and audit of the said financial statements.

The Company had previously used the services of PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw with regard to training programmes in 2002 and 2011 and of certain companies affiliated with PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw with regard to training programmes in 2013 and 2014 and legal

services in 2012-2015. The audit firm in charge of auditing the Company's financial statements for 2020 and the Group's consolidated financial statements for 2020 as contracted by the Company also provided permissible non-audit services to the Company's majority shareholder in 2020.

The financial statements for 2018, 2019 and 2020 were audited by PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. and other PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. related companies.

Information on remuneration due to the audit firm for 2020 and 2019 is presented in note 7.52 to the Group's consolidated Financial Statements for the year 2020.

In accordance with the statement of the Supervisory Board of the Company, the Company's Management Board reports that: the selection of the audit firm to conduct the audit of annual consolidated financial statements for the year 2020 has been carried out in line with laws, including the provisions on selection of and the selection procedure for an audit firm; the audit firm and the members of the team performing the assignment fulfilled the prerequisites for preparing an impartial and independent audit report concerning the annual consolidated accounts in accordance with applicable laws, professional best practice and the rules of professional conduct; the existing provisions related to the rotation of the audit firm and the key statutory auditor and the compulsory withdrawal periods are respected, and the Company has a policy in place regarding the choice of the audit firm and the policy in respect of the provision of additional non-audit services, including services conditionally exempted from the prohibition of the provision thereof by the audit firm, to the Company by the audit firm, an affiliate of the audit firm or a member of its professional network.